

Message Text

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ORIGIN EB-11

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FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO PRIORITY

INFO AMEMBASSY BUENOS AIRES PRIORITY

AMEMBASSY MEXICO

C O N F I D E N T I A L STATE 186203

E.O. 11652: GDS

TAGS:

SUBJECT: CHILE'S WHEAT SITUATION

REF: (A) STATE 18392; (B) SANTIAGO 4262; (C) SANTIAGO 4306

1. AS STATED REFTEL (A) WE HAVE FOLLOWED UP ON THE DELIVERY DATES FOR THE SEVERAL WHEAT SHIPMENTS CITED REFTELS. IN LINE WITH SUGGESTION PARA 4 REFTEL (B) GARNAC REP HAS TOLD US THAT VESSEL KAVO DELFINI WAS SCHEDULED ARRIVE VALPARAISO SEPT 9 AND SHOULD NOW BE DISCHARGING CARGO THERE. KAVO DELFINI CARRYING 15,000 TONS WHEAT CONTRACTED BY GARNAC ON C & F BASIS WITH ALLENDE GOVERNMENT. ONLY OUTSTANDING QUESTION ON THIS SALE, ACCORDING TO GARNAC, ARE CHARGES WHICH MAY BE ACCRUING FOR DEMURRAGE. ACCORDING TO GARNAC, ANOTHER 20,000 TONS OF WHEAT WAS LOADED A WEEK AGO IN U.S. FOR SHIPMENT TO CHILE ON FOB BASIS. THIS SHIP-
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MENT WAS REPORTEDLY FINANCED THROUGH AN IRREVOCABLE LETTER

OF CREDIT BASED ON GUARANTEE PROVIDED TO ALLENDE GOVERNMENT BY PRESIDENT OF MEXICO. THIS LETTER OF CREDIT IS WITH A MEXICAN BANK.

2. GARNAC REPORTEDLY HAS FURTHER COMMITMENT FOR 40,000 TONS (NOT 50,000 AS REPORTED REF (A)) FOR DELIVERY TO CHILE DURING NOVEMBER. THIS CONTRACT IS ON C&F BASIS AND VESSEL FIXTURE FOR NOVEMBER DELIVERY HAS ALREADY BEEN MADE TENTATIVELY. GARNAC WOULD BE WILLING TO ACCELERATE DELIVERY ALTHOUGH IT NOW WISHES TO CLARIFY HOW THIS SHIP-

MENT WILL BE FINANCED BY GOC. ORIGINAL PLAN CALLED FOR OPENING LETTER OF CREDIT THROUGH MEXICAN BANK BY OCTOBER 1 BUT IN LIGHT OF NEW GOVERNMENT IN CHILE, COMPANY WISHES TO KNOW WHETHER MEXICAN GOVERNMENT'S COMMITMENT TO PREVIOUS GOVERNMENT WOULD ALSO APPLY IN THIS CASE.

3. SHOULD CHILE WISH TO CONTRACT FOR AN ADDITIONAL AMOUNT OF GRAIN IN NEAR-TERM BASIS GARNAC WOULD BE WILLING IN PRINCIPLE TO SHIFT 15,000 TONS FROM ANOTHER DESTINATION TO CHILE FOR SEPTEMBER-OCTOBER DELIVERY. SIMILAR PAYMENT ASSURANCES REQUIRED, HOWEVER, AS IN ABOVE CASE.

4. COOK INDUSTRIES ALSO WILLING TO COOPERATE IN EXPEDITING DELIVERY TO ENSURE ARRIVAL BY DECEMBER. MAJORITY OF CHILE'S CONTRACTS WITH COOK ARE ON FOB BASIS, HENCE CHILE WILL HAVE RESPONSIBILITY FOR CHARTERING VESSELS, TAKING INTO CONSIDERATION PORT FACILITIES AND CAPACITY FOR DISCHARGING CARGO DURING PERIOD IN QUESTION. IF GOC WISHES TO AMEND ANY OF ABOVE CONTRACTS TO ACCELERATE DELIVERIES, DETAILS OF AMENDMENT SHOULD BE CABLED TO GRAIN DEALERS ASAP FOR ACCEPTANCE.

5. CONTINENTAL GRAIN REPRESENTATIVE INFORMS US THAT COMMITMENTS MENTIONED IN REFTTEL (A) FOR 40,000 TONS RUMANIAN AND 30,000 TONS SOUTH AFRICAN WHEAT ARE IN ERROR. CONTINENTAL CURRENTLY HAS NO CONTRACTS TO SHIP WHEAT TO CHILE ACCORDING TO COMPANY'S REPRESENTATIVE.

6. AS A GENERAL RULE, APPLICATIONS TO OPEN A LETTER OF
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CREDIT WITH A FOREIGN BANK SHOULD BE CABLED. APPROVAL OF APPLICATION USUALLY REQUIRES ABOUT TWO DAYS. IF APPROVAL IS FORTHCOMING, GRAIN DEALERS MAY BE NOTIFIED IMMEDIATELY AND LOADING CAN USUALLY BEGIN RIGHT AWAY IF VESSEL IS ALREADY IN POSITION IN PORT. RESPONSIBILITY FOR CHARTERING AND SCHEDULING VESSEL DEPENDS UPON MANNER IN WHICH CONTRACT IS WRITTEN (C & F OR FOB).

7. SUGGESTION ON CCC CREDIT (PARA 5 REFTEL B) STILL
UNDER CONSIDERATION AND DEPARTMENT WILL ADVISE SOONEST. RUSH

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